



TOWNSHIP OF NEWKIRK  
Lake County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Newkirk	<b>County</b> Lake
<b>Audit Date</b> March 31, 2005	<b>Opinion Date</b> July 11, 2005	<b>Date Accountant Report Submitted to State:</b> August 27, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686		<b>City</b> Bay City	<b>State</b> MI
<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.		<b>Zip</b> 48707	

TOWNSHIP OF NEWKIRK  
Lake County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

July 11, 2005

To the Township Board  
Township of Newkirk  
Lake County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Newkirk, Lake County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Newkirk's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Newkirk, Lake County, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF NEWKIRK  
Lake County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Township of Newkirk covers the Township's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled \$229,431.61 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$143,340.51 from governmental activities. The Township had a 4.2% loss in revenue sharing.

Taxable value increased by approximately \$1,260,341.00 or 6.87%.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Cemetery Fund, the Road Fund, the Fire Equipment Fund, the Fire Fund and the Current Tax Collection Fund.

TOWNSHIP OF NEWKIRK  
Lake County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2005

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, the Cemetery Fund, the Road Fund, the Fire Fund and the Fire Equipment Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

During the year a new tractor was purchased at a net cost of \$6,132.46 from the Cemetery Fund. All General Fund money was spent for operating expenses of the Township. The Fire Fund activity consists of taxes collected for operation of the Luther Fire District #1.

Our cash position in the governmental activities remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for the Township's governmental services. The most significant are salaries which incurred expenses of \$39,031.50, operating supplies which incurred expenses of \$2,654.17 and hall operating expenses which incurred expenses of \$2,255.15.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$6,132.46 in new capital assets for the tractor used at the Cemetery.

The Township's governmental activities paid \$0 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents 37% of our income. We continue to grow at a 6% rate in taxable values with little demand for infrastructure, except good roads, where available.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Treasurer at 812 Elm Street, Luther, Michigan 49656, or call (231) 797-5402.

TOWNSHIP OF NEWKIRK  
Lake County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	209 571 78
Taxes receivable	<u>9 802 01</u>
Total Current Assets	<u>219 373 79</u>
NON-CURRENT ASSETS:	
Capital Assets	13 589 56
Less: Accumulated Depreciation	<u>(2 573 00)</u>
Total Non-current Assets	<u>11 016 56</u>
TOTAL ASSETS	<u><u>230 390 35</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>958 74</u>
Total Current Liabilities	<u>958 74</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>958 74</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	11 016 56
Unrestricted	<u>218 415 05</u>
Total Net Assets	<u>229 431 61</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>230 390 35</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF NEWKIRK  
Lake County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2005

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	2 755 54	-	(2 755 54)
General government	54 893 76	8 823 62	(46 070 14)
Public safety	52 862 69	-	(52 862 69)
Public works	5 022 63	-	(5 022 63)
Culture and recreation	500 00	-	(500 00)
Total Governmental Activities	<u>116 034 62</u>	<u>8 823 62</u>	<u>(107 211 00)</u>
General Revenues:			
Property taxes			68 441 11
Other taxes			23 229 70
State revenue sharing			36 700 08
Interest			1 635 79
Miscellaneous			<u>4 510 21</u>
Total General Revenues			<u>134 516 89</u>
Change in net assets			27 305 89
Net assets, beginning of year			<u>202 125 72</u>
Net Assets, End of Year			<u>229 431 61</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF NEWKIRK  
Lake County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2005

<u>Assets</u>	<u>General</u>	<u>Fire</u>	<u>Road</u>
Cash in bank	153 537 05	845 81	44 931 60
Taxes receivable	2 890 62	6 911 39	-
Due from other funds	4 161 96	-	-
Total Assets	<u>160 589 63</u>	<u>7 757 20</u>	<u>44 931 60</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	851 64	-	-
Due to other funds	-	4 159 59	-
Total liabilities	<u>851 64</u>	<u>4 159 59</u>	<u>-</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	159 737 99	3 597 61	44 931 60
Total fund equity	<u>159 737 99</u>	<u>3 597 61</u>	<u>44 931 60</u>
Total Liabilities and Fund Equity	<u>160 589 63</u>	<u>7 757 20</u>	<u>44 931 60</u>

The accompanying notes are an integral part of these financial statements.  
6

<u>Other Funds</u>	<u>Total</u>
10 254 95	209 569 41
-	9 802 01
-	4 161 96
<u>10 254 95</u>	<u>223 533 38</u>

107 10	958 74
-	4 159 59
<u>107 10</u>	<u>5 118 33</u>

<u>10 147 85</u>	<u>218 415 05</u>
<u>10 147 85</u>	<u>218 415 05</u>
<u>10 254 95</u>	<u>223 533 38</u>

TOWNSHIP OF NEWKIRK  
Lake County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	218 415 05
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	13 589 56
Accumulated depreciation	<u>(2 573 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>229 431 61</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF NEWKIRK  
Lake County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year ended March 31, 2005

	<u>General</u>	<u>Fire</u>	<u>Road</u>
Revenues:			
Property taxes	15 704 22	52 736 89	-
Other taxes - P.I.L.O.T.	23 229 70	-	-
State revenue sharing	36 700 08	-	-
Charges for services	6 853 62	-	-
Interest	1 382 48	4 53	239 26
Miscellaneous	4 510 21	-	-
Total revenues	<u>88 380 31</u>	<u>52 741 42</u>	<u>239 26</u>
Expenditures:			
Legislative:			
Township Board	2 755 54	-	-
General government:			
Supervisor	5 989 69	-	-
Elections	1 952 29	-	-
Assessor	13 101 42	-	-
Clerk	6 475 30	-	-
Board of Review	807 75	-	-
Treasurer	11 244 70	-	-
Building and grounds	2 255 15	-	-
Cemetery	-	-	-
Unallocated	5 683 68	-	-
Public safety:			
Fire protection	-	52 862 69	-
Public works:			
Highways and streets	-	-	1 947 35
Sanitation	3 075 28	-	-
Culture and recreation:			
Library	500 00	-	-
Capital outlay	-	-	-
Total expenditures	<u>53 840 80</u>	<u>52 862 69</u>	<u>1 947 35</u>
Excess (deficiency) of revenues over expenditures	<u>34 539 51</u>	<u>(121 27)</u>	<u>(1 708 09)</u>
Other financing sources (uses):			
Operating transfers in	-	-	5 000 00
Operating transfers out	(21 000 00)	-	-
Total other financing sources (uses)	<u>(21 000 00)</u>	<u>-</u>	<u>5 000 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	13 539 51	(121 27)	3 291 91
Fund balances, April 1	<u>146 198 48</u>	<u>3 718 88</u>	<u>41 639 69</u>
Fund Balances, March 31	<u><u>159 737 99</u></u>	<u><u>3 597 61</u></u>	<u><u>44 931 60</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds</u>	<u>Total</u>
-	68 441 11
-	23 229 70
-	36 700 08
1 970 00	8 823 62
9 52	1 635 79
-	<u>4 510 21</u>
<u>1 979 52</u>	<u>143 340 51</u>
-	2 755 54
-	5 989 69
-	1 952 29
-	13 101 42
-	6 475 30
-	807 75
-	11 244 70
-	2 255 15
6 700 78	6 700 78
-	5 683 68
-	52 862 69
-	1 947 35
-	3 075 28
-	500 00
<u>6 132 46</u>	<u>6 132 46</u>
<u>12 833 24</u>	<u>121 484 08</u>
<u>(10 853 72)</u>	<u>21 856 43</u>
16 000 00	21 000 00
-	<u>(21 000 00)</u>
<u>16 000 00</u>	<u>-</u>
5 146 28	21 856 43
<u>5 001 57</u>	<u>196 558 62</u>
<u>10 147 85</u>	<u>218 415 05</u>

TOWNSHIP OF NEWKIRK  
Lake County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 21 856 43

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(683 00)
Capital Outlay	<u>6 132 46</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>27 305 89</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF NEWKIRK  
Lake County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Newkirk, Lake County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Newkirk. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF NEWKIRK  
Lake County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Fire District Joint Venture

The Township is a member of the Luther Fire District #1. The Fire District is a joint venture of Newkirk and Ellsworth Townships created to provide fire protection for the member townships. The following financial information was taken from the Fire District's March 31, 2005, audited financial statements:

Total Assets	391 074 38
Net Assets	373 709 72
Total Revenues	115 420 78
Total Expenditures	82 946 12
Increase in Net Assets	32 474 66

A copy of these audited financial statements may be obtained upon request from the Fire District Treasurer.

Municipal Hall Joint Venture

The Luther-Newkirk Municipal Hall is a joint venture supported by the Village of Luther and Newkirk Township. Each unit owns one-half of the land, building and equipment of the Hall. Each unit is also responsible for one-half of the expenses necessary to operate the Hall.

The following are the significant provisions of the Municipal Hall agreement:

- (1) All properties held or acquired in the future are to be held as tenants in common.
- (2) The term of the agreement is 10 years from July 1, 1993, to July 1, 2003, renewable every 10 years. Withdrawal may be done by one of the parties if written notice is given at least one year prior to the anniversary of this agreement or by joint action of all parties.

The following financial information was taken from the Municipal Hall's March 31, 2005, audited financial statements:

Total Assets	30 952 87
Net Assets	30 952 87
Total Revenues	4 518 10
Total Expenditures	5 939 36
Decrease in Net Assets	1 421 26

A copy of these audited financial statements may be obtained upon request from the Municipal Hall Treasurer.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.



TOWNSHIP OF NEWKIRK  
Lake County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2004 tax roll millage rate was 4.0060 mills, and the taxable value was \$17,078,826.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$2,500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building	50 years
Equipment	10 years

TOWNSHIP OF NEWKIRK  
Lake County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$11,016.56.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.

TOWNSHIP OF NEWKIRK  
Lake County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 2 – Budgets and Budgetary Accounting (continued)

7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>209 571 78</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	111 647 32
Uninsured and Uncollateralized	<u>104 231 96</u>
Total Deposits	<u>215 879 28</u>

The Township of Newkirk did not have any investments as of March 31, 2005.

TOWNSHIP OF NEWKIRK  
Lake County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/04	<u>Additions</u>	<u>Deletions</u>	Balance 3/31/05
<u>Governmental Activities:</u>				
Land	3 936 10	-	-	3 936 10
Building	3 521 00	-	-	3 521 00
Equipment	-	6 132 46	-	6 132 46
Total	7 457 10	6 132 46	-	13 589 56
Accumulated Depreciation	(1 890 00)	(683 00)	-	(2 573 00)
Net Capital Assets	<u>5 567 10</u>	<u>5 449 46</u>	<u>-</u>	<u>11 016 56</u>

Note 5 – Pension Plan

The Township adopted a defined contribution pension plan effective July 1, 1991. The plan is administered by the Manufacturer's Life Insurance Company. The plan covers all Township Board members, deputy clerk, deputy treasurer, deputy supervisor and cemetery sexton. There are no age or service requirements for plan eligibility. All benefits attributable to employer contributions are 100% vested immediately. Normal retirement age under the plan is age 65 or, if later, completion of 10 years of participation in the plan. Early retirement is permitted at any time after attainment of age 55.

Employer contributions for each participant are calculated based on 5% of compensation. In addition, participants may make after-tax voluntary contributions in amounts ranging from 1% to 10% of compensation. For purposes of the determination of contributions, "compensation" means cash compensation actually paid throughout the plan year, however, overtime pay and bonuses are not included. For the fiscal year ended March 31, 2005, the Township contributed \$1,288.37 into the pension plan.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Newkirk does not issue building permits. Building permits are issued by the County of Lake.

TOWNSHIP OF NEWKIRK  
Lake County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2005

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	4 161 96	Fire Current Tax Collection	4 159 59 2 37
Total	<u>4 161 96</u>	Total	<u>4 161 96</u>

Note 10 – Operating Transfers

The amounts of interfund transfers are as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
Cemetery	11 000 00	General	21 000 00
Fire Equipment	5 000 00		
Road	<u>5 000 00</u>		
Total	<u>21 000 00</u>	Total	<u>21 000 00</u>

TOWNSHIP OF NEWKIRK  
Lake County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	13 500 00	13 500 00	15 704 22	2 204 22
Other taxes – P.I.L.O.T.	20 200 00	20 200 00	23 229 70	3 029 70
State revenue sharing	30 500 00	34 600 00	36 700 08	2 100 08
Charges for services:				
Property tax administration	6 000 00	6 000 00	6 853 62	853 62
Interest	600 00	600 00	1 382 48	782 48
Miscellaneous	<u>2 600 00</u>	<u>2 600 00</u>	<u>4 510 21</u>	<u>1 910 21</u>
Total revenues	<u>73 400 00</u>	<u>77 500 00</u>	<u>88 380 31</u>	<u>10 880 31</u>
Expenditures:				
Legislative:				
Township Board	5 250 00	5 250 00	2 755 54	(2 494 46)
General government:				
Supervisor	8 900 00	8 900 00	5 989 69	(2 910 31)
Elections	5 050 00	4 250 00	1 952 29	(2 297 71)
Assessor	13 400 00	13 600 00	13 101 42	(498 58)
Clerk	8 550 00	8 550 00	6 475 30	(2 074 70)
Board of Review	1 100 00	1 100 00	807 75	(292 25)
Treasurer	14 150 00	14 150 00	11 244 70	(2 905 30)
Building and grounds	3 000 00	3 000 00	2 255 15	(744 85)
Unallocated	6 200 00	7 000 00	5 683 68	(1 316 32)
Public works:				
Sanitation	3 000 00	3 100 00	3 075 28	(24 72)
Culture and recreation:				
Library	<u>750 00</u>	<u>650 00</u>	<u>500 00</u>	<u>(150 00)</u>
Total expenditures	<u>69 350 00</u>	<u>69 550 00</u>	<u>53 840 80</u>	<u>(15 709 20)</u>
Excess (deficiency) of revenues over expenditures	<u>4 050 00</u>	<u>7 950 00</u>	<u>34 539 51</u>	<u>26 589 51</u>
Other financing sources (uses):				
Operating transfers in	4 000 00	4 000 00	-	(4 000 00)
Operating transfers out	<u>(32 960 00)</u>	<u>(32 960 00)</u>	<u>(21 000 00)</u>	<u>11 960 00</u>
Total other financing sources (uses)	<u>(28 960 00)</u>	<u>(28 960 00)</u>	<u>(21 000 00)</u>	<u>7 960 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(24 910 00)</u>	<u>(21 010 00)</u>	<u>13 539 51</u>	<u>34 549 51</u>
Fund balance, April 1	<u>138 276 11</u>	<u>138 276 11</u>	<u>146 198 48</u>	<u>7 922 37</u>
Fund Balance, March 31	<u>113 366 11</u>	<u>117 266 11</u>	<u>159 737 99</u>	<u>42 471 88</u>

TOWNSHIP OF NEWKIRK  
Lake County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND  
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	50 200 00	53 200 00	52 736 89	(463 11)
Interest	5 00	5 00	4 53	(47)
Total revenues	<u>50 205 00</u>	<u>53 205 00</u>	<u>52 741 42</u>	<u>(463 58)</u>
Expenditures:				
Public safety:				
Fire protection	<u>49 000 00</u>	<u>53 500 00</u>	<u>52 862 69</u>	<u>(637 31)</u>
Total expenditures	<u>49 000 00</u>	<u>53 500 00</u>	<u>52 862 69</u>	<u>(637 31)</u>
Excess (deficiency) of revenues over expenditures	<u>1 205 00</u>	<u>(295 00)</u>	<u>(121 27)</u>	<u>173 73</u>
Other financing sources (uses):				
Operating transfers in	5 800 00	5 800 00	-	(5 800 00)
Operating transfers out	<u>(5 153 17)</u>	<u>(5 153 17)</u>	<u>-</u>	<u>5 153 17</u>
Total other financing sources (uses)	<u>646 83</u>	<u>646 83</u>	<u>-</u>	<u>(646 83)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	1 851 83	351 83	(121 27)	(473 10)
Fund balance, April 1	<u>442 58</u>	<u>442 58</u>	<u>3 718 88</u>	<u>3 276 30</u>
Fund Balance, March 31	<u>2 294 41</u>	<u>794 41</u>	<u>3 597 61</u>	<u>2 803 20</u>

TOWNSHIP OF NEWKIRK  
Lake County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROAD FUND  
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Interest	<u>200 00</u>	<u>200 00</u>	<u>239 26</u>	<u>39 26</u>
Total revenues	<u>200 00</u>	<u>200 00</u>	<u>239 26</u>	<u>39 26</u>
Expenditures:				
Public works:				
Highways and streets	<u>5 200 00</u>	<u>5 200 00</u>	<u>1 947 35</u>	<u>(3 252 65)</u>
Total expenditures	<u>5 200 00</u>	<u>5 200 00</u>	<u>1 947 35</u>	<u>(3 252 65)</u>
Excess (deficiency) of revenues over expenditures	<u>(5 000 00)</u>	<u>(5 000 00)</u>	<u>(1 708 09)</u>	<u>3 291 91</u>
Other financing sources (uses):				
Operating transfers in	<u>5 000 00</u>	<u>5 000 00</u>	<u>5 000 00</u>	<u>-</u>
Total other financing sources (uses)	<u>5 000 00</u>	<u>5 000 00</u>	<u>5 000 00</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>-</u>	<u>-</u>	<u>3 291 91</u>	<u>3 291 91</u>
Fund balance, April 1	<u>41 635 33</u>	<u>41 635 33</u>	<u>41 639 69</u>	<u>4 36</u>
Fund Balance, March 31	<u>41 635 33</u>	<u>41 635 33</u>	<u>44 931 60</u>	<u>3 296 27</u>



TOWNSHIP OF NEWKIRK  
Lake County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2005

Township Board:	
Salaries	
Transportation	1 680 00
Printing and publishing	100 05
Miscellaneous	127 19
	<u>848 30</u>
Supervisor:	<u>2 755 54</u>
Salary	
Supplies	5 400 00
Education	13 60
Transportation	345 00
	<u>231 09</u>
Elections:	<u>5 989 69</u>
Wages	
Printing and publishing	1 770 00
Transportation	136 09
	<u>46 20</u>
Assessor:	<u>1 952 29</u>
Salary	
Supplies	10 200 00
Printing and publishing	816 97
Miscellaneous	1 723 50
	<u>360 95</u>
Clerk:	<u>13 101 42</u>
Salary	
Supplies	6 050 00
Transportation	295 30
Miscellaneous	122 40
	<u>7 60</u>
Board of Review:	<u>6 475 30</u>
Salaries	
Miscellaneous	685 00
	<u>122 75</u>
Treasurer:	<u>807 75</u>
Salary	
Deputy	9 000 00
Supplies	282 50
Printing and publishing	1 246 72
Miscellaneous	574 50
	<u>140 98</u>
Building and grounds:	<u>11 244 70</u>
Operating	
	<u>2 255 15</u>
Unallocated:	
Insurance	
Social security	2 288 80
Miscellaneous	1 275 27
Pension	831 24
	<u>1 288 37</u>
	<u>5 683 68</u>
Sanitation	
	<u>3 075 28</u>
Library	
	<u>500 00</u>
Total Expenditures	<u>53 840 80</u>

TOWNSHIP OF NEWKIRK  
Lake County, Michigan

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS  
March 31, 2005

<u>Assets</u>	<u>Cemetery</u>	<u>Fire</u>	<u>Fire Equipment</u>
Cash in bank	244 28	845 81	10 010 67
Taxes receivable	-	6 911 39	-
Total Assets	<u>244 28</u>	<u>7 757 20</u>	<u>10 010 67</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	107 10	-	-
Due to other funds	-	4 159 59	-
Total liabilities	<u>107 10</u>	<u>4 159 59</u>	<u>-</u>
Fund balances:			
Unreserved:			
Undesignated	137 18	3 597 61	10 010 67
Total fund balances	<u>137 18</u>	<u>3 597 61</u>	<u>10 010 67</u>
Total Liabilities and Fund Balances	<u>244 28</u>	<u>7 757 20</u>	<u>10 010 67</u>

<u>Road</u>	<u>Total</u>
44 931 60	56 032 36
-	6 911 39
<u>44 931 60</u>	<u>62 943 75</u>

-	107 10
-	4 159 59
-	4 266 69

<u>44 931 60</u>	<u>58 677 06</u>
<u>44 931 60</u>	<u>58 677 06</u>
<u>44 931 60</u>	<u>62 943 75</u>

TOWNSHIP OF NEWKIRK  
Lake County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS  
Year ended March 31, 2005

	<u>Cemetery</u>	<u>Fire</u>	<u>Fire Equipment</u>
Revenues:			
Property taxes	-	52 736 89	-
Charges for services	1 970 00	-	-
Interest	-	4 53	9 52
Total revenues	<u>1 970 00</u>	<u>52 741 42</u>	<u>9 52</u>
Expenditures:			
Cemetery:			
Salaries	3 964 00	-	-
Fringe benefits	559 23	-	-
Supplies	281 58	-	-
Repairs	224 88	-	-
Contracted services	1 530 00	-	-
Miscellaneous	141 09	-	-
Fire protection:			
Contracted services	-	52 862 69	-
Highways and streets:			
Contracted services	-	-	-
Capital outlay	6 132 46	-	-
Total expenditures	<u>12 833 24</u>	<u>52 862 69</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(10 863 24)</u>	<u>(121 27)</u>	<u>9 52</u>
Other financing sources (uses):			
Operating transfers in	11 000 00	-	5 000 00
Total other financing sources (uses)	<u>11 000 00</u>	<u>-</u>	<u>5 000 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	136 76	(121 27)	5 009 52
Fund balances, April 1	42	3 718 88	5 001 15
Fund Balances, March 31	<u>137 18</u>	<u>3 597 61</u>	<u>10 010 67</u>

<u>Road</u>	<u>Total</u>
-	52 736 89
-	1 970 00
<u>239 26</u>	<u>253 31</u>
<u>239 26</u>	<u>54 960 20</u>
-	3 964 00
-	559 23
-	281 58
-	224 88
-	1 530 00
-	141 09
-	52 862 69
1 947 35	1 947 35
-	<u>6 132 46</u>
<u>1 947 35</u>	<u>67 643 28</u>
<u>(1 708 09)</u>	<u>(12 683 08)</u>
<u>5 000 00</u>	<u>21 000 00</u>
<u>5 000 00</u>	<u>21 000 00</u>
3 291 91	8 316 92
<u>41 639 69</u>	<u>50 360 14</u>
<u>44 931 60</u>	<u>58 677 06</u>

TOWNSHIP OF NEWKIRK  
Lake County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year ended March 31, 2005

	<u>Balance</u> <u>4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/05</u>
<u>Assets</u>				
Cash in Bank	<u>29 69</u>	<u>620 101 61</u>	<u>620 128 93</u>	<u>2 37</u>
<u>Liabilities</u>				
Due to other funds	29 69	68 671 54	68 698 86	2 37
Due to other units	<u>-</u>	<u>551 430 07</u>	<u>551 430 07</u>	<u>-</u>
Total Liabilities	<u>29 69</u>	<u>620 101 61</u>	<u>620 128 93</u>	<u>2 37</u>

TOWNSHIP OF NEWKIRK  
Lake County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
Year ended March 31, 2005

Cash in bank – beginning of year	<u>29 69</u>
Cash receipts:	
Property taxes	620 061 67
Interest	<u>39 94</u>
Total cash receipts	<u>620 101 61</u>
Total beginning balance and cash receipts	<u>620 131 30</u>
Cash disbursements:	
Township General Fund	22 874 53
Township Fire Fund	45 824 33
Lake County	262 480 81
Baldwin Community School District	32 697 79
Cadillac Area School District	7 199 87
Pine River Area School District	161 986 23
Mason-Lake Intermediate School District	8 025 31
Wexford-Missaukee Intermediate School District	75 591 35
Refunds	<u>3 448 71</u>
Total cash disbursements	<u>620 128 93</u>
Cash in Bank – End of Year	<u><u>2 37</u></u>

# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

July 11, 2005

To the Township Board  
Township of Newkirk  
Lake County, Michigan

We have audited the financial statements of the Township of Newkirk for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Newkirk in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."



To the Township Board  
Township of Newkirk  
Lake County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Newkirk began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

To the Township Board  
Township of Newkirk  
Lake County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants